

AMENDED IN SENATE FEBRUARY 17, 1998

SENATE BILL

No. 1413

Introduced by Senator Knight

January 15, 1998

An act to add Section 10111.2 to the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1413, as amended, Knight. Disability insurance claims: interest payments.

Existing law, governing life and disability insurance, provides, among other things, that the only measure of liability and damage is the sum payable to the insured in the manner and at the times as provided in the policy.

This bill would, in addition, provide that if any insurer fails to pay any benefits under a policy of disability income insurance, as defined, within 30 days after the insurer has received a claim for those benefits in which liability is reasonably clear, the payment shall bear interest, as specified. This bill would also provide that the 30-day period shall not include any time during which the insurer is awaiting a response for relevant medical information from a health care provider. *It would also provide that the insurer shall be liable to the insured for all costs of collection, including reasonable attorney's fees, if a legal action by the insured is necessary to obtain payment of a valid claim.*

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10111.2 is added to the Insurance
2 Code, to read:

3 10111.2. (a) Under a policy of disability income
4 insurance, as defined in subdivision (i) of Section 799.01,
5 payment of benefits to the insured shall be made within
6 30 days after the insurer has received a claim for those
7 benefits in which liability is reasonably clear. However,
8 the 30-day period shall not include any time during which
9 the insurer is awaiting a response for relevant medical
10 information from a health care provider.

11 (b) If the insurer fails to pay within the 30 days, the
12 payment shall bear interest, beginning the 31st day, at the
13 rate of 10 percent per year. *The insurer shall also be liable*
14 *to the insured for all costs of collection, including*
15 *reasonable attorney's fees, if a legal action by the insured*
16 *is necessary to obtain payment of a valid claim.*

